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Best of Both Worlds: Blending Logic to Expand the Customer Value Model

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ABSTRACT

The goods-dominant model of customer value involves a ratio of benefits received in exchange for sacrifices given. Service-dominant logic suggests a different view with the idea that all value is co-created by the customer. But value measurement challenges persist, and definitions of co-creation vary. These problems arise, in part, because goods-dominant thinking about value is largely set aside in the application of SD logic. Yet, the classic goods-dominant customer value model can be blended, joined, and advanced with theoretical principles from SD logic such as co-creation.

Firms no longer rely on simple product quality improvements or additional service benefits to increase value with their offerings. Additionally, they must support direct value creation through co-creative platforms. But how does co-creation interact with benefits and sacrifice in the formation of customer value? What is the magnitude of the impact on customer value from co-creation relative to benefits and sacrifice? This paper suggests a framework to explore and extend the classic customer value model with the inclusion of a co-creative component. Research propositions within the context of lateral exchange markets suggest how benefits, sacrifice, and this third component work together to increase customer value.

ABOUT THE AUTHOR

Adam Merkle is a doctoral student at the University of South Alabama and the purchasing agent at Bishop State Community College in Mobile, AL. He holds an MBA from Indiana University and a Bachelor of Urban Planning from Ball State University. His research interests include service science, sales, supply chain, marketing strategy, innovation, and customer value.